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C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000737

SIPDIS

BAGHDAD FOR AMBASSADOR ERELI

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TAGS: [PGOV](#) [KDEM](#) [BA](#)

SUBJECT: BAHRAIN: OUTLOOK FOR THE THIRD PARLIAMENTARY
SESSION

REF: A. MANAMA 313
[1](#)B. MANAMA 442
[1](#)C. MANAMA 510
[1](#)D. MANAMA 592
[1](#)E. MANAMA 593

Classified By: CDA Christopher Henzel for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: The new session of parliament will focus on housing, unemployment, and discrimination - the last a topic likely to spur the same sectarian tensions that led to deadlock in the last session. End Summary.

Background

[1](#)2. (SBU) King Hamad opened parliament on October 19 with an address that lauded the economy's continuing strong growth and reiterated a call for national unity (ref C). This session will focus on housing and the budget, and we expect Wifaq to make another run at forcing debate on sectarian discrimination.

[1](#)3. (C) Sectarian wrangling deadlocked the elected lower house of parliament during the session that ended in May. The Shi'a bloc, Wifaq, boycotted five meetings so the lower house could not achieve a quorum; the last meeting ended when Wifaq walked out after Sunnis accused a Shi'a minister of corruption (ref A). Our discussions with members of parliament from Wifaq and the largest Sunni bloc, Asala, indicate that they will clash again along sectarian lines during this session.

Housing

[1](#)4. (SBU) While both Sunni and Shi'a MPs want to press the government to spend more on housing, Wifaq may press the GOB to address perceived sectarian discrimination in the assignment of public housing (see para 12). Sunni blocs would vigorously oppose any such effort.

[1](#)5. (SBU) The government housing program offers low-interest loans, houses, and/or land purchases for all Bahraini households with a total monthly income of less than BD 1,500 (USD 4,000). Some citizens waited as long as 15 years for a government-subsidized housing loan, until the list was cleared earlier this year. In the draft budget, the GOB increased the maximum allotment for a housing loan from 40,000 BD to 60,000 BD. This increase will take effect when the new budget is passed.

[1](#)6. (C) Over the summer, the press reported many applicants' complaints that the GOB offered them an apartment, not the free-standing house they wanted. Maher Al Onais, acting

director of the Housing Services Directorate at the Housing Ministry told poloff in August that Bahrainis disdain apartment living because they do not want to live below somebody else; apartments are traditionally rented, not owned; and tenants generally do not take care of their external appearance. Al Onais said that to address these complaints, the government had passed condominium ownership laws, begun building townhouses, and launched a campaign to teach applicants about the cost advantages of apartment living. Nonetheless, he believes it will take a generation to change most Bahrainis' views.

Budget

17. (U) Bahrain sets its budget every two years. In the past, the Finance Ministry, under the guidance of the Prime Minister and the cabinet, drafted the budget. This year the Economic Development Board (EDB), led by the Crown Prince, took the lead in drafting the budget in coordination with the Ministry of Finance. The Ministry then passed it to the cabinet for review and government approval.

18. (SBU) Wifaq MP Dr. Jasim Husain passed a draft copy of the budget, which is still with the Finance Ministry, to emboffs with his comments. He says Wifaq is chiefly concerned with the low estimated revenue from non-oil sources (15 percent) and with the high percentage of the budget devoted to security spending (28 percent plus capital improvement costs). (Note: Since 2002, revenue from oil and gas have consistently accounted for between 73 and 80 percent of government revenue; the proposed budget projects that

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proportion to increase to 85 percent for both 2009 and 2010. This shift is likely due to an overestimation in oil revenue - at the time the budget was drafted oil was still priced over \$100/bbl. Both EDB and MoF officials say that they are currently working on a revision to account for the recent decline in oil prices. End Note.)

19. (SBU) Capital improvement spending may be an issue on which the Shi'a and Sunni blocs agree. The draft budget proposes BD 700 (USD 1.86 million) in 2009 and 2010 for capital improvements, the bulk going to the Ministry of Works (BD 143 million in 2009, BD 148 million in 2010), the Ministry of Housing (BD 130 million each), and the Water and Electricity Authority (BD 128 million in 2009, BD 126 million in 2010). Husain's analysis calls for an increase in the Housing Ministry allotment to BD 300 million. Asala Parliamentarian Isa Abu Al Fath told poloff that he and his bloc want to increase spending on housing and the electricity infrastructure. (NOTE: According to Husain's analysis, in 2007 the government spent only 73 percent of its allocated BD 666 million (approximately USD 1.77 billion) on capital improvements - the shortfall resulted from a lack of capacity and qualified contractors, as well as fear of inflationary pressures. Poloff's contacts in the construction sector regularly complain about the government's inability to issue permits, conduct inspections, or construct the necessary infrastructure fast enough. End Note.)

Discrimination

10. (SBU) Wifaq's core Shi'a constituency demands that it focus on sectarian discrimination, especially now that a leader of its chief rival in the Shi'a community, the Haq movement, has briefed the U.S. Congress' Human Rights Caucus (septel). By pushing this issue, Wifaq believes it could illustrate to its supporters the benefits of political participation and marginalize the Haq movement, which rejects Shi'a participation in the political system altogether. (For more on the Wifaq - Haq relationship, see ref E). As proof of discrimination, oppositionists focus on the lack of Shi'a in the security forces, unbalanced electoral districts, and

small number of Shi'a in senior policy making positions.

¶11. (SBU) During this session, post anticipates Wifaq may point to increased security spending to highlight perceived sectarian discrimination. The proposed budget would increase security spending by BD 76 million (17 percent) from 2008 to 2009, with substantial increases for the National Guard, Ministry of Interior, and Bahrain's lead intelligence service, the National Security Agency (BNSA). The draft budget would increase the BNSA allocation from BD 14 million to BD 32 million in its first significant increase in at least 3 years. The National Guard's budget would increase from BD 18 million to BD 33 million - its last increase was from BD 13 million in 2006 to BD 18 million in 2007. The Ministry of Interior would get the largest real increase from BD 170 million to BD 193 mil, which would be consistent with past budgetary increases. Wifaq may focus on these increases in security spending as evidence that the government is overly focused on internal security and controlling the Shi'a majority population.

¶12. (SBU) Wifaq may also exploit the housing issue in an attempt to address perceived discrimination. Shi'a comprise a significant majority of the people on the housing lists. Many Shi'a complain that the GOB hires foreign-born Sunnis to work in the internal security forces, naturalizes them, and then gives them homes and land that should have gone to Bahraini Shi'a.

Conclusion

¶13. (C) Comment. Wifaq's plans to focus more on sectarian discrimination will help them in the competition with Haq for friends in the Shi'a street. But it will also convince more Sunnis to dig in and resist. Unless Wifaq begins offering politically realistic solutions, rather than simply pointing fingers, it's likely the Sunni-Shi'a divide in parliament will grow even wider. End Comment.

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